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Chairman Frank, Ranking Member Bachus, and Members of the Committee, thank you for the opportunity to testify today on H.R. 1427, the Federal Housing Finance Reform Act of 2007.

I am Sheila Crowley, President of the National Low Income Housing Coalition (NLIHC). Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

My testimony will focus solely on the proposed Affordable Housing Fund, which is a top priority for NLIHC. We are solely dedicated to ending the affordable housing crisis in the United States, and view the Affordable Housing Fund in this bill as a crucial step in that direction. While the affordable housing crisis has many dimensions, the fundamental problem is the mismatch between what people earn or otherwise have to spend for their homes and what housing costs.

The people for whom this mismatch is the most acute are those with the lowest incomes, precisely who the Affordable Housing Fund is intended to help. All of the Affordable Housing Fund would produce or preserve homes that are affordable to extremely low and very low income households. Extremely low income households are those with incomes at or below 30% of the area median. In the Boston, that is $25,230 a year or less. In Birmingham, that is $17,220 a year or less.[1] These are elderly and disabled people on fixed incomes or people in the low wage workforce. In order to afford to rent a modest one bedroom home in Boston, the members of the household have to earn $46,560 a year; for a one bedroom home in Birmingham, the annual income needed is $21,680.[2]

Extremely low income renters are the only group of people in the United States for whom there is an absolute shortage of housing units. There are 9,022,000 extremely low income renter households and only 6,187,000 homes renting at prices these households can afford, paying the standard of 30% of their income for housing. This is a

[1] Wardrip, K., Pelletiere, D., & Crowley, S. (2006). *Out of reach 2006*. Washington, DC: NLIHC.
[2] Ibid.

shortage of 2,835,000 units.[3] Higher income people may not have the choice of homes they would prefer and in some markets, there may be a shortage of units affordable to people in higher income categories. But these nine million families are the only ones playing this dangerous game of musical chairs.

What are the consequences of a housing shortage of these proportions? How do these families cope? Many of them spend much more than they can afford for their homes. An analysis of data from the 2005 American Community Survey shows that 71% of all extremely low income renter households in the United States pay more than half of their income for their homes.[4] Spending that much of household income on housing means there is not enough income left for other basic necessities, and people are forced to make impossible choices between rent and food or medicine or heat. Certainly, they are not able to save.

Another way to cope is for the adults in the family to work two or more jobs to bring in the needed income. This means children are left alone or in the care of others for long stretches of time and the parents are unable to do what we expect of them to raise healthy and productive children.

Or they are prey to unscrupulous landlords who rent substandard housing that tenants do not dare complain about for fear of losing the only homes they can afford. Or they double-up with family members or friends creating overcrowding and all the related health and mental health stressors that come with too many people living in too little space. Or they move from one short term dwelling to another, making stable employment and school attendance impossible to maintain. High rates of residential mobility among low income families is correlated with high rates of school mobility for their children, which means these kids never stay long enough in one school to be successful.[5]

The ultimate consequence of this housing shortage is that people lose their homes and become homeless. In circumstances where there is such a gap between supply and demand, those who are the most vulnerable, those with the most complex problems and the weakest support systems, are the least able to compete and at highest risk of homelessness.

This housing shortage is not going to be solved by market forces. Given the huge pent-up demand for rental housing that this population can afford, if there was money to be made building and operating such housing, someone would have figured out how to do so by now. Nor can this housing shortage be solved by existing federal, state, and local housing programs at the level of investment we are currently making. Moreover, most public programs serve a higher income population. Given the size of the federal deficit and the resulting constraints on federal programs, we have to think outside the box for creative answers. That is what the Affordable Housing Fund in this bill is.

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[3] Pelletiere, D. (2007). *American Community Survey estimate shows larger national, state affordable rental housing shortages. Research Note #07-01.* Washington, DC: NLIHC.
[4] NLIHC tabulations of 2005 American Community Survey PUMS.
[5] Crowley, S. (2003). The affordable housing crisis: Residential mobility of poor families and school mobility of poor children. *Journal of Negro Education, 72*(1), 22-38.

At the same time, it is not a new concept. The Affordable Housing Fund is the conceptual cousin of the highly successful Affordable Housing Program of the Federal Home Loan Banks, through which 10% of their profits must go into a grant program to support affordable housing activities.

Under the proposed bill, Fannie Mae and Freddie Mac would be required to contribute revenue equal to 1.2 basis points for each dollar of their average total mortgage portfolios for the preceding year to a fund that is administered by the new regulator that this bill establishes. In the first year, these funds would be directed to the Gulf Coast states facing ongoing rental housing shortages due to 2005 hurricanes. This is a very fitting use of these funds, which NLIHC enthusiastically supports. We would suggest however that some portion of the funds be directed to Alabama and Texas, as well as Louisiana and Mississippi. While majority of damage occurred in the latter two states, all four states lack sufficient funding to restore lost housing affordable to the households who would be eligible for help under this bill.

The Affordable Housing Fund is intended primarily for capital grants to produce and preserve rental housing for extremely low and very low income families, with activities that would produce homes for purchase by first time home buyers also allowed. Under the homeownership provisions, funds could also be used for non-bricks and mortar activities such as down payment and closing costs assistance. There is also a provision that no less than 10% of the funds are to be spent on homeowner activities. We suggest a change that will assure that a majority of the funds will be spent on the construction or rehabilitation of physical housing units. This can be achieved by setting a cap on the amount of funds that can go toward homeownership activities.

One of the more controversial aspects of H.R. 1461, the earlier version of this bill that was passed by the House in the last Congress, was whether or not these funds could be used for activities other than bricks and mortar capital costs. H.R. 1427 makes it clear what can and cannot be done with these funds. Let me assure all Members of the Committee who are concerned about other potential uses or misuses of these funds that there is no one more dedicated to assuring that does not happen than those of us at NLIHC.

We want these funds to go to addressing the most pressing housing need in our country, the shortage of rental housing that extremely low income families can afford. The Affordable Housing Fund will be an important new tool in the toolbox of responsible developers that will allow them to include a portion of units in each project that are affordable for this population.

Let me close by congratulating Chairman Frank, Mr. Watt, Mr. Baker, and Mr. Miller for coming together to introduce this important bipartisan legislation. The history of federal housing legislation is that it has always enjoyed bipartisan support. You are continuing in that fine tradition.

Thank for the opportunity to testify today. We look forward to working with you to assure its successful passage.